



FRANK S. DePAOLO  
President / CEO

September 8, 2006

Mr. Robert E. Feldman, Executive Secretary  
Federal Deposit Insurance Corporation  
550 Seventeenth Street, N.W.  
Washington, DC 20429

Attention: Comments

Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman:

This writing is to comment on the Federal Deposit Insurance Corporation's proposal to classify Federal Home Loan Bank advances as volatile liabilities and potentially charge users higher deposit insurance premiums. We are opposed to this proposal since FHLBanks are highly stable institutions and its advances are verifiably low-risk. Enacting this rule would be harmful to FHLBank member institutions and could actually increase exposure and risk to the FDIC.

FHLBank advances are not a volatile liability for members. They are a key component of liquidity for institutions like ours. They come with set, predictable terms allowing efficient balance sheet management. Unlike deposits, advances do not diminish when market forces or consumer habits change.

FHLBanks themselves are a core part of the American banking system. Created by Congress in 1932, FHLBanks have been the standard for stability, surviving the swings of markets, interest rates and business cycles. Their cooperative structure, joint and several liability and conservative business models ensure the future availability of advance products for their over 8,000 members.

MEMBER FDIC


Discouraging banks from borrowing from FHLBanks would be counter productive to reducing risks to the FDIC. FHLBank advances ensure available, cost effective liquidity, manage interest rate risk, as well as fund loan growth. Penalizing advance use will force institutions to look for alternative sources that are less dependable and far more volatile than the FHLBanks. This would result in fewer loans, reduced profits, higher liquidity and increased interest rate risk.

The FDIC should continue to determine rates by using an institution's actual risk profile reflected in comprehensive supervisory risk ratings. Those institutions engaged in risky activity should have higher premiums than their more conservative counterparts regardless of whether the funding comes through advances, deposits or other sources.

When Congress created the FHLBank System its goal was to provide a steady stream of mortgage credit through the use of advances. Congress reiterated its support of advances by expanding small banks access to this funding in the Gramm-Leach- Bliley Act. This proposal, which seeks to penalize the judicious use of advances, runs contrary to the actions and intent of Congress.

Thank you allowing the opportunity to comment on this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank S. DePaolo", written in a cursive style.

Frank S. DePaolo  
President/CEO